

NILSEN REAL ESTATE APPRAISALS

3988 WALNUT DRIVE
EUREKA, CALIFORNIA 95503

MATT NILSEN
LIC. #AG006743

(707) 441-8560
FAX (707) 441-8565

EDWARD NILSEN

September 15, 2022

Ms. Karen Clower, Assistant Chief Operating Officer
Humboldt County Courthouse
825 5th Street
Eureka, CA 95501

**Re: Courthouse Union Inc.
803 4th Street
Eureka, CA 95501**

Dear Ms. Clower:

Pursuant to your request, I have made an investigation and analysis of the real property described above. My purpose was to estimate the current market value of the real property. The estimated value shown herein does not include any personal property items, furniture, fixtures, and equipment (F. F. & E.), inventory, business licenses, nor ongoing business concerns. The fee simple interest will be shown in this report. Per our agreement, this is an **Appraisal Report** which conforms to the Uniform Standards of Professional Appraisal Practice (USPAP) adopted by the Appraisal Standards Board of the Appraisal Foundation. The COVID-19 pandemic has affected many lives and properties over the past 29± months. The estimated value shown herein does take into consideration the possible adverse effects of this disease as of the date of my inspection.

The valuation date is September 7, 2022.

By reason of my investigation and by virtue of my experience, I am of the opinion the estimated market value of the appraisal property, with the assumptions made herein, is the sum of

SEVEN HUNDRED FIFTY THOUSAND DOLLARS

(\$ 750,000)

Following you will find a brief report of my findings, conclusions, and information upon which my value conclusions are partially predicated. Should additional information be requested, please contact me.

Very truly yours,



Matt Nilsen, #AG006743

MN:klr

TABLE OF CONTENTS

I. INTRODUCTION

A.	Purpose of the Appraisal	1
B.	Function of the Appraisal	1
C.	Scope of the Appraisal	1
D.	Definition of Market Value	3
E.	Assumptions / Limiting Conditions / Appraisal Certificate	4
F.	Date of Valuation	10
G.	Date of Report	10
H.	Owner of Record	10
I.	Sales History	10
J.	Legal Description / Assessment Data	10
K.	Investigation	11
L.	Competency / Experience of Appraiser	12
M.	Property Rights Appraised	13

II. PROPERTY ANALYSIS

A.	Neighborhood	14
	Location Map: City of Eureka	15
B.	Site Analysis	
1.	Size and Shape	17
	Assessor Parcel Map	18
2.	Topography	19
3.	Access	19
4.	Utilities	19
5.	Soil and Drainage	20
6.	Flood Hazard Zone	20
7.	Census Tract	20
C.	Improvements	21
	Site Plan	24
	Floor Diagram	25
	Subject Property Photographs	26
D.	Property Rating	35
E.	Zoning / Highest and Best Use	35
F.	Real Estate Market	37
G.	Exposure /Marketing Time	41

III. VALUATION

A.	Approaches in Estimating Market Value	42
B.	Cost Approach	43
C.	Sales Comparison Approach	44
D.	Income Approach	48
	Comparable Rents - Photographs	50
	Comparable Rents - Location Map	51
E.	Correlation and Final Estimate of Value	55

ADDENDA

Comparable Sales	57
Location Map	61
Engagement Letter	62

I. INTRODUCTION

A. Purpose of the Appraisal

To estimate the current market value of the real property. The estimated value shown here does not include any personal property items, furniture, fixtures and equipment (F. F. & E.), inventory, business licenses, nor ongoing business concerns.

B. Function of the Appraisal

This report may be used by yourself, county personnel, and/or authorized agents for internal use and perhaps as a guide for possible sale/acquisition purposes. This report was not prepared for financing or any other use.

C. Scope of the Appraisal

This appraisal report is intended to be an "appraisal assignment". It is the intent that the appraisal service be performed in such a manner that the results of the analysis, opinions, or conclusions be that of a disinterested third party. It is the intent that all appropriate data deemed pertinent to the solution of the appraisal problem be collected, confirmed, and reported.

This is an *Appraisal Report* which is intended to comply with the reporting requirements set forth under Standards Rule 2-2(a) of the Uniform Standards of Professional Appraisal Practice (USPAP). As such, it presents summary discussions of the data, reasoning and analyses that were used in the appraisal process to develop the appraiser's opinion of value. The depth of discussion contained in this report is specific to the needs of the client and for the intended use stated above. This appraiser is not responsible for unauthorized use of this report.

C. **Scope of the Appraisal (continued)**

The specific area of Eureka, as well as Humboldt County areas, were investigated for this assignment. These areas were researched to discover any environmental, social, economic and governmental forces which may affect the use of the appraisal property. Real estate appraisers, buyers, sellers, various personnel employed with the City of Eureka, property managers, and others in the real estate business were interviewed.

The scope of this analysis included the following specific steps:

1. *Review all documentation and related attachments provided by the client.*
2. *Physical inspection of the subject property and the neighborhood.*
3. *Research of neighborhood, city and county which could possibly impact the subject property and its value, appeal and overall marketability.*
4. *A search, review, then selection of rental properties and sales deemed comparable with the appraisal property.*
5. *Completion of the income and sales comparison approaches and correlation to an estimate of final value.*

D. Definition of Market Value

"The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus." Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- (1) buyer and seller are typically motivated;*
- (2) both parties are well informed or well advised, and each acting in what they consider their own best interest;*
- (3) a reasonable time is allowed for exposure in the open market;*
- (4) payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and*
- (5) the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.*

(Source: Office of the Comptroller of the Currency under 12 CFR, Part 34, Subpart C - Appraisals, 34.42 Definitions (f).)

E. Assumptions / Limiting Conditions / Appraisal Certificate

In addition to the following four pages, which is a copy of the Limiting Conditions and Appraisal Certificate, the following conditions also apply:

A current preliminary title report for subject property was not available for review. I am unaware of any adverse easements or encroachments over subject site which would adversely affect the overall appeal and marketability. If such a condition becomes known at a later date, the appraiser herein reserves the right to alter said appraised value. Client to be aware of the above information and satisfy themselves accordingly.

The existing gasoline station was reportedly constructed in year 1950±. There were originally two adjoining small restrooms with exterior entrances along the west side of the improvement. Approximately eight± years ago, the southern restroom was enlarged to its current size. This includes a wider door width and 5' turning radius in front of the toilet, as well as adjacent grab bars. The overall floor plan appeared to partially comply, yet is not fully in compliance with Americans with Disabilities Act (ADA). This includes a low toilet height as well as sink location and height. This restroom is accessed off an angled concrete ramp. All other entrances are a "step up". Client to be aware of the above information and satisfy themselves accordingly.

The existing single story, steel frame building was constructed approximately 72± years ago. Flooring throughout is exposed concrete. The majority has single wall construction. The interior walls/ceilings are predominantly painted or original corrugated metal panels. The majority of the windows have metal frames with single panes. There appears to have been minimal updating, except for the previously described restroom, for many years.

E. Assumptions / Limiting Conditions / Appraisal Certificate (continued)

About 1.5± months ago, a fire partially burned the north side of the building, attached work area/cover, and nearby vehicle. Reportedly, there was a considerable amount of smoke and soot damage to the interior. Some cleanup has occurred, yet no corrective/repair work has begun as of the date of my inspection. The overall condition of the electrical, plumbing, foundation, HVAC system, roof, and other building components are unknown by this appraiser. The estimated value shown herein assumes the overall condition of the above mentioned items, and others not stated earlier, are in below average± condition. Client to be aware of the above information and satisfy themselves accordingly.

For many years, this property has been a gasoline service station. Various dispensing bodies, vapor recovery system, underground fuel storage tanks, piping, and other equipment were removed about 1.5± years ago. Those areas which became uncovered were sealed with a concrete slab. The cost of all this work was paid by the current owner. I am unaware of any adverse soils or drainage conditions over subject site. I am unaware of any "onflow" concerns. This is not my field of expertise. The estimated value shown herein assumes there are no adverse conditions. Client to be aware of the above information and satisfy themselves accordingly.

A flu-type virus, which began in China two years ago, then spread throughout Europe, reached America. Over the past 29± months, the coronavirus (also known as COVID-19), has significantly affected people's lives. Even though there has been a considerable amount of progress to fight this disease, the resulting effect on valuing the appraisal property is unknown. This virus could pass in the next several months and lives go back to "normal", however it could last considerably longer which could have a more severe effect on the entire economy.

E. Assumptions / Limiting Conditions / Appraisal Certificate (continued)

This appraisal report assumes that investors/purchasers desire this type property. Sales used within this report were compared to subject in estimating the current market value. All these sales occurred during this pandemic. The estimated value shown herein are based upon information obtained through market research as of the effective date of value. Any events which may occur in the future are speculative. Client to be aware of all the above information and satisfy themselves accordingly.

ASSUMPTIONS AND LIMITING CONDITIONS:

1. This is an Appraisal Report which is intended to comply with the reporting requirements set forth under Standard Rule 2-2(a) of the Uniform Standards of Professional Appraisal Practice for a Summary Appraisal Report. As such, it might not include full discussions of the data, reasoning, and analyses that were used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning, and analyses is retained in the appraiser's file. The information contained in this report is specific to the needs of the client and for the intended use stated in this report. The appraiser is not responsible for any unauthorized use of this report.
2. No responsibility is assumed for legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated in this report.
3. The property is appraised free and clear of any or all liens and encumbrances unless otherwise stated in this report.
4. Responsible ownership and competent property management are assumed unless otherwise stated in this report.
5. The information furnished by others is believed to be reliable. However, no warranty is given for its accuracy.
6. All engineering is assumed to be correct. Any plot plans and illustrative material in this report are included only to assist the reader in visualizing the property.

E. Assumptions / Limiting Conditions / Appraisal Certificate (continued)

7. It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures that render it more or less valuable. No responsibility is assumed for such conditions or for arranging for engineering studies that may be required to discover them.
8. It is assumed that there is full compliance with all federal, state, and local environmental regulations and laws unless otherwise stated in this report.
9. It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless a nonconformity has been stated, defined, and considered in this appraisal report.
10. It is assumed that all required licenses, certificates of occupancy or other legislative or administrative authority from any local, state, or national governmental or private entity or organization have been or can be obtained or renewed for any use on which the value estimates contained in this report are based.
11. Any sketch in this report may show approximate dimensions and is included to assist the reader in visualizing the property. Maps and exhibits found in this report are provided for reader reference purposes only. No guarantee as to accuracy is expressed or implied unless otherwise stated in this report. No survey has been made for the purpose of this report.
12. It is assumed that the utilization of the land and improvements is within the boundaries or property lines of the property described and that there is no encroachment or trespass unless otherwise stated in this report.
13. The appraiser is not qualified to detect hazardous waste and/or toxic materials. Any comment by the appraiser that might suggest the possibility of the presence of such substances should not be taken as confirmation of the presence of hazardous waste and/or toxic materials. Such determination would require investigation by a qualified expert in the field of environmental assessment. The presence of substances such as asbestos, urea-formaldehyde foam insulation, or other potentially hazardous materials may affect the value of the property. The appraiser's value estimate is predicated on the assumption that there is no such material on or in the property that would cause a loss in value unless otherwise stated in this report. No responsibility is assumed for any environmental conditions, nor for any expertise or engineering knowledge required to discover them. The appraiser's descriptions and resulting comments are the result of the routine observations made during the appraisal process.

E. Assumptions / Limiting Conditions / Appraisal Certificate (continued)

14. Unless otherwise stated in this report, subject property is appraised without a specific compliance survey having been conducted to determine if the property is or is not in compliance with the requirements of the Americans with Disabilities Act. The presence of architectural and communications barriers that are structural in nature which would restrict access by disabled individuals may adversely affect the property's value, marketability, or utility.
15. Any proposed improvements are assumed to be completed in a good workmanlike manner in accordance with the submitted plans and specifications.
16. The distribution, if any, of the total valuation in this report between land and improvements applies only under the stated program of utilization. The separate allocations for land and improvement must not be used in conjunction with any other appraisal and are invalid if so used.
17. Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without the written consent of the appraiser, and in any event, only with proper written qualification and only in its entirety.
18. Neither all nor any part of the contents of this report (especially with any conclusions as to value, the identity of the appraiser, or the firm with which the appraiser is connected) shall be disseminated to the public through advertising, public relations, news sales, or other media without prior written consent and approval of the appraiser.

E. Assumptions / Limiting Conditions / Appraisal Certificate (continued)


CERTIFICATION:

I certify that, to the best of my knowledge and belief:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, unbiased professional analyses, opinions, and conclusions.
3. I have no present or prospective interest in the property that is the subject of this report and I have no personal interest or bias with respect to the parties involved.
4. My compensation is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.
5. This appraisal was not based on a requested minimum valuation, a specific valuation, or the approval of a loan.
6. My analyses, opinions, and conclusions were developed, and this report has been prepared in conformity with the Uniform Standards of Professional Appraisal Practice.
7. I have made a personal inspection of the property that is the subject of this report.
8. No one provided significant professional assistance to the person signing this report.
9. The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute.
10. I have not previously appraised or provided any other professional services with this property over the prior three years.

Date: 9/7/22

Appraiser



Matt Nilsen, #AG006743

F. Date of Valuation

September 7, 2022

G. Date of Report

September 15, 2022

H. Owner of Record

COURTHOUSE UNION INC.

I. Sales History

The appraisal property was acquired by the owners approximately 16± years ago. According to Mr. McNamara, the appraisal property has not been offered for sale over the past three± years. There was an appraisal conducted for the benefit of the County of Humboldt slightly over three years ago for the purpose of possible acquisition. Nothing was consummated at that time. No meaningful information can be obtained from the prior sales history.

J. Legal Description / Assessment Data

As stated earlier, no preliminary title report for subject property was available for review. A legal description was incorporated within the document at the time of acquisition. The following description is assumed to be accurate.

The real property described herein is situated in the City of Eureka, County of Humboldt, State of California, and is described as follows:

J. Legal Description / Assessment Data (continued)

COMMENCING at the Southwest corner of Block 35 in the City of Eureka which corner is also the Northeast corner of Fourth and "I" Streets; and running
thence Northerly along the East line of "I" Street 110 feet to an alley;
thence Easterly along the South line of the alley 120 feet;
thence at right angles Southerly 110 feet to the North line of Fourth Street;
and thence West along the North line of Fourth Street 120 feet to the place of beginning.

The appraisal property has been assessor parcel number 1-134-006. According to the most recent tax roll, full cash value of the land is \$254,971. Full cash value of the improvements is \$225,782. The current assessment is \$480,753. In addition, there is an assessment for fixtures and other equipment at \$17,890.

K. Investigation

The appraisal property was inspected by Matt Nilsen on September 7, 2022. Mr. Russ McNamara was interviewed during my site inspection. An interior and exterior inspection was made of the building, canopy, attached work space, and parking areas. Photographs were taken on this date.

An investigation was made of all known sales of similar properties considered to be comparable with the appraisal property. Current listings and any pending transactions were also analyzed. Real estate appraisers, property owners, real estate brokers, property managers, various city personnel, and others in the real estate business were interviewed.

L. Competency / Experience of Appraiser

The competency rule of the Uniform Standards of Professional Appraisal Practice (USPAP) states that prior to accepting an assignment, an appraiser must properly identify the problem to be addressed, have the knowledge and experience to complete the assignment competently, recognition of, and compliance with, laws and regulations that apply to the appraiser or to the assignment.

If an appraiser determines he or she is not competent prior to accepting an assignment, the appraiser must:

- (1) Disclose the lack of knowledge and/or experience to the client before accepting the assignment;*
- (2) Take all steps necessary or appropriate to complete the assignment competently; and*
- (3) Describe the lack of knowledge and/or experience and the steps taken to complete the assignment competently in the report.*

This appraiser has had considerable experience in valuing light industrial and warehousing, professional and medical offices, wide variety of retailing, motels, restaurants, RV and mobile home parks, apartment complexes, service stations, vacant land for residential and commercial developments, and special purpose properties throughout Humboldt, Mendocino and Del Norte counties. These reports have been for new construction as well as existing improvements. I am a California Certified General Real Estate Appraiser. I believe I possess the knowledge and experience to complete this assignment competently.

M. Property Rights Appraised

The property rights being appraised are fee simple. Fee simple is defined in the Appraisal Terminology and Handbook as *"An absolute fee: a fee without limitations to any particular class of heirs or restrictions, but subject to the limitations of eminent domain, escheat, police power, and taxation. An inheritable estate."*

II. PROPERTY ANALYSIS

A. Neighborhood

Your attention is directed to the following page which is a copy of a city map of Eureka. The location of subject property is appropriately marked. Dashed lines are also shown which highlight the Old Town and downtown business districts of Eureka.

The appraisal property is situated on the northeast corner of 4th and "I" Streets. 4th Street, which is a three lane, one-way roadway traversing in a westerly direction, is U.S. Highway 101 southbound. One block to the south is 5th Street which is northbound U.S. Highway 101. The courthouse, jail, Sheriff's Department, and other county administrative offices are across the street and to the south. This is bounded by 4th and 5th Street and "I" to "K" Streets. There are many professional office buildings throughout the downtown area. Other neighbors include financial institutions, restaurants, gasoline service stations, and a wide variety of retailing. The downtown post office is two blocks to the southwest. There are several new and used automobile dealerships along 6th and 7th Streets.

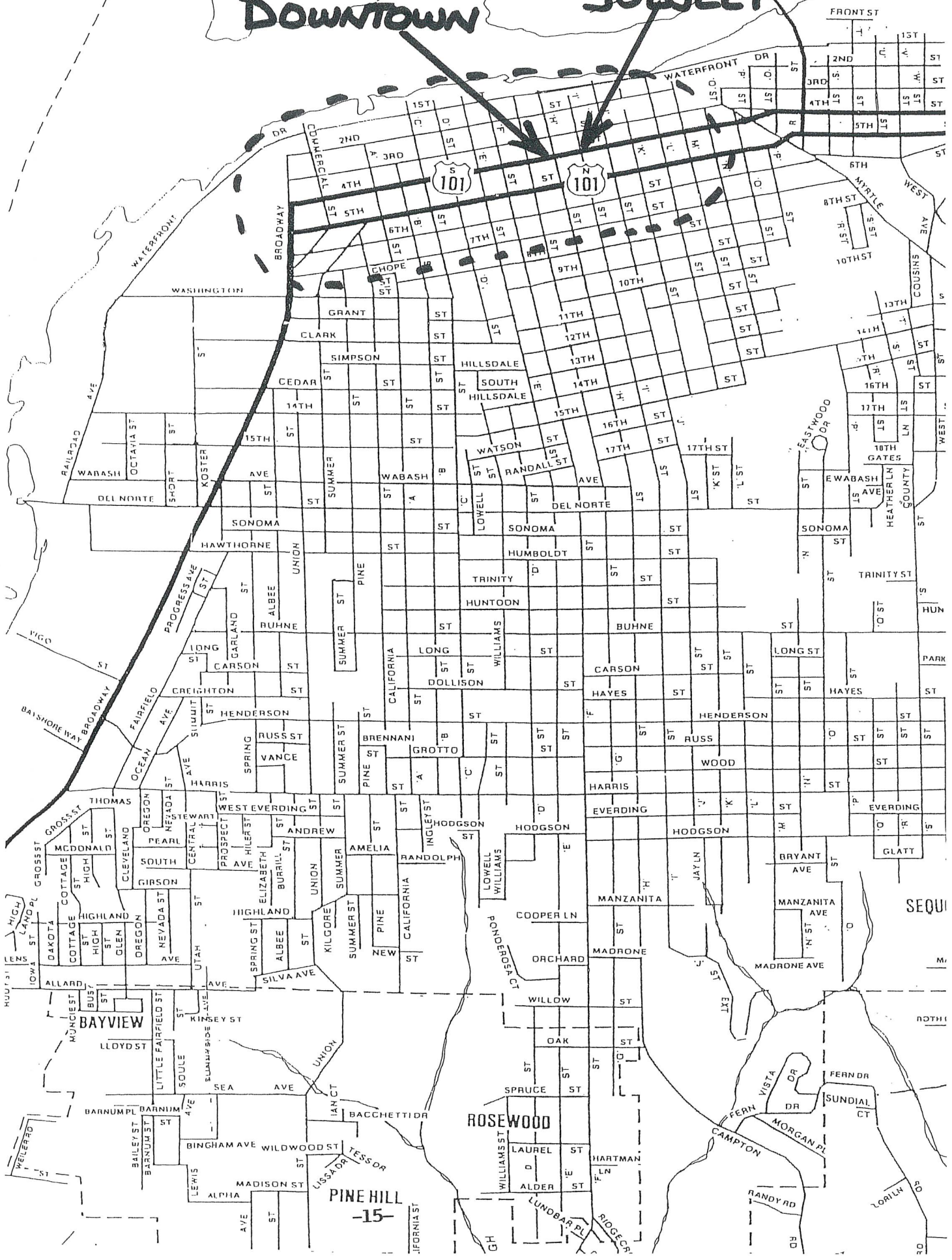
The area north of 4th Street toward Humboldt Bay is commonly known as "Old Town". This area has been in transition from older dilapidated buildings into refurbished and remodeled structures catering to many personal businesses. In addition to the buildings, various streets, sidewalks, and streetlights have been upgraded. On the northwest corner of 2nd and "F" Streets is the location of a public gazebo which includes a circular waterfall. This quarter block has a red brick surface with various perimeter landscaping. There are several publicly owned off-street parking lots which allow convenient parking for customers. The closest parking lot to subject is one block to the north on the corner of 3rd and "I" Streets.

DABY ISLAND

WOODLEY ISLAND

OLD TOWN & DOWNTOWN

SUBJECT



A. Neighborhood (continued)

The Old Town district extends westerly to approximately "C" Street. Along the north side of Waterfront Drive at "C" Street is a multi-faceted improvement commonly known as "The Fisherman's Building". This includes the processing of fish, storage/warehousing, as well as a 3,200± square foot restaurant known as "Jacks". There are other proposed projects located on or adjacent to Humboldt Bay. This would extend primarily in an easterly direction. They include one or more motel and restaurant, ground floor retailing/offices, and upper level condominiums or apartments. It is unknown if or when these projects will get underway due to the overall economy in the recent past.

Those properties extending farther to the west from "C" Street are predominantly warehousing, light industrial, or distribution. These parcels are generally larger in size with some having good off-street parking. Approximately six± years ago the Eureka Rescue Mission's "common building" was constructed. This single story building consists of multiple private offices, men's and women's restrooms, and large dining/kitchen facility. This was constructed specifically as a men's and women's shelter facility.

A proposed Eureka Regional Transit and Housing Center project is anticipated to begin construction over the next several± months. This would be along the south side of 3rd Street between "G" and "H" Streets. In addition to the state of the art transit station including hydrogen buses, there is anticipated to be student and affordable housing on upper levels, children's center, as well as other car and ride share options. The anticipated cost of development is about \$38,000,000±. This project is about two± blocks northwest of the appraisal property.

A. Neighborhood (continued)

About one+ block to the southeast is a planned multi-use Corrections Reentry Resource Center. This would be on the northwest corner of 5th and "K" Streets. The County of Humboldt has been seeking funds to construct this facility for many years. Much of this specific land area has been used for graveled off-street parking by employees for many years. Off-street parking options may be necessary to address the number of spaces being lost due to this new construction.

The appraisal property is adjacent to one of the most heavily traveled roadways in town. This is conveniently accessed off the east side of "I" Street from a two-way lighted intersection. Access is also off the north side of 4th Street and south side of a graveled alley. The overall location is within the prime downtown business district of Eureka and across the street from the county administrative offices. The overall appeal of this neighborhood would be considered good.

B. Site Analysis

1. Size and Shape

Your attention is directed to the following page which is a copy of an assessor parcel map. The location of the appraisal property is appropriately marked.

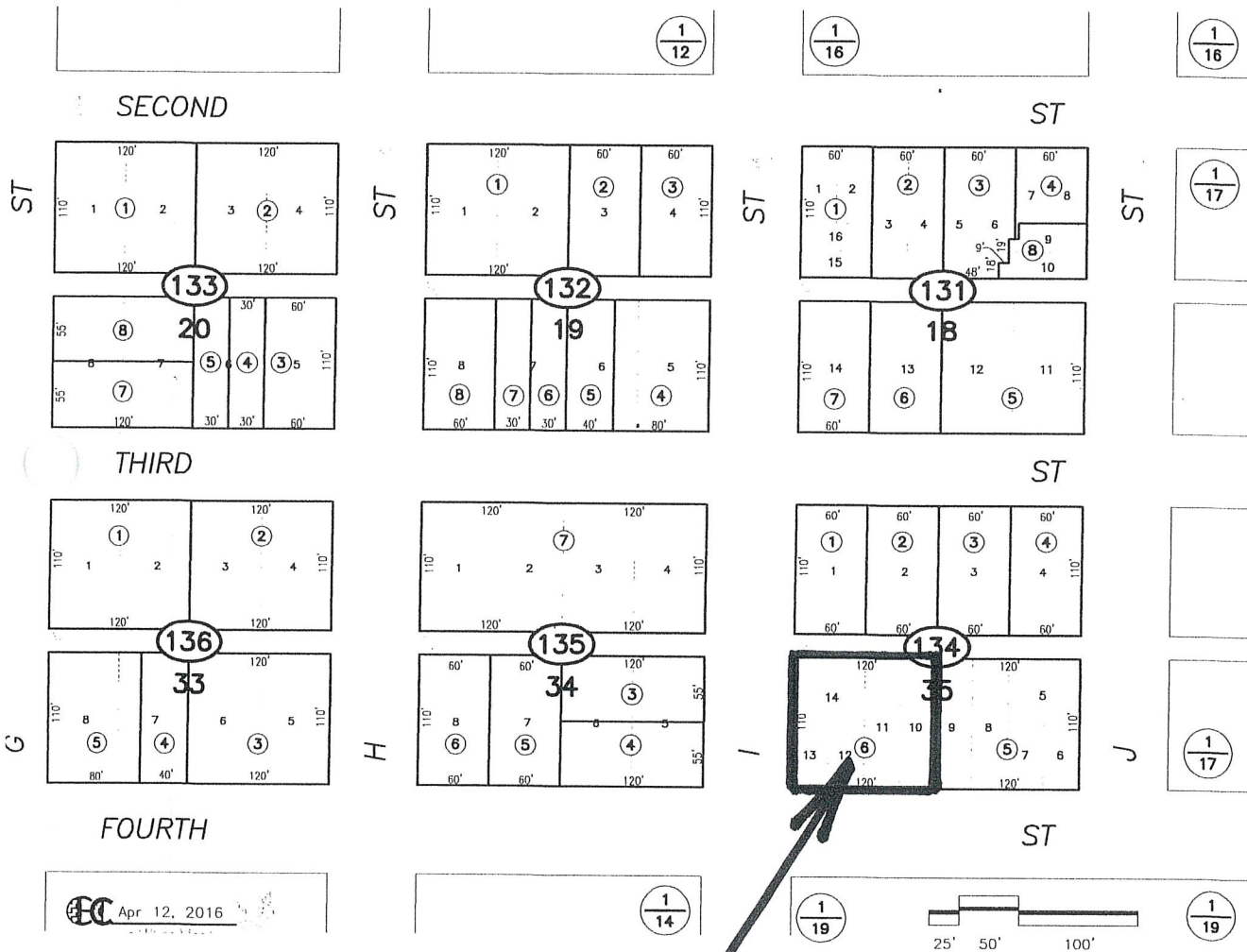
Subject site is situated on the northeast corner of 4th and "I" Streets. There is 120' of frontage along the north side of 4th Street and 110' of frontage along the east side of "I" Street. According to my calculations, subject site is 13,200 square feet in size.

CITY OF EUREKA

1-13

NOTE - Assessor's Block Numbers Shown in Ellipses
Assessor's Parcel Numbers Shown in Small Circles

RM, Bk 1 of Maps, Pg. 16
(City of Eureka)



SUBJECT

B. Site Analysis (continued)

2. Topography

Subject site slopes slightly downward in a westerly direction toward "I" Street. This also follows the contour of 4th Street. The northern portion of the appraisal property slopes moderately downward in a northerly direction to the alley. I am unaware of any adverse drainage conditions over subject site. The estimated value shown herein assumes there are no adverse conditions.

3. Access

Access to the appraisal property is off the north side of 4th Street and east side of "I" Street. There is a two-way lighted intersection at this location. There are three lanes which comprise 4th Street and two lanes traversing northerly on "I" Street. There is a considerable amount of vehicular and pedestrian exposure. Overall access and exposure are considered good.

4. Utilities

There is community water and sewer. Natural gas and electricity are provided by P.G. & E. Telephone is provided by SBC. Cable TV is provided by Sudden Link. These utilities are considered typical for the area.

B. Site Analysis (continued)

5. Soil and Drainage

Subject site appears to be above grade of the two adjoining roadways. There were two 12,000 gallon underground single wall fiberglass gasoline tanks. These tanks, as well as the fuel dispensing bodies, piping, and all related equipment, were removed about 1.5± years ago. Reportedly, other properties on corner locations within a two± block radius previously consisted of gasoline service stations. A dry-cleaning business, which closed down many years ago, was located along the south side of 4th Street and one+ block to the east. I am unaware of any “onflow” concerns. This is not my field of expertise. The estimated value shown herein assumes there are no adverse soils conditions. See attached Assumptions and Limiting Conditions stated earlier in this report.

6. Flood Hazard Zone

The appraisal property is not situated within an identified flood hazard zone and no insurance is required. This information is according to the City of Eureka map dated June 17, 1986. The community panel number is 060062 0005C. Subject property is situated within Zone C.

7. Census Tract

Subject property is situated within Census Tract No. 0005.00.

C. Improvements

The existing steel frame, metal exterior sided building was reportedly constructed in year 1950±. There is a combination of metal and stucco exterior siding on a concrete slab foundation. There is a slight parapet or wood fascia which hides the roof and any roof-mounted equipment. The roof is a rolled membrane. There are multiple perimeter windows which include metal frames and single panes.

The building was constructed toward the middle of the overall site. The majority of the eastern portion is the location of the two bay drive-in shop. There is a 20' wide roll-up overhead door which includes multiple glass panels. Floor to ceiling height is approximately 14'±. There are two separate lifts. There are windows along the east and north sides which allow considerable natural lighting. There is a small parts department accessed from the shop. This is through an interior opening which includes multiple open shelving. There is a cast iron sink. Immediately adjacent, and along the front or south side of the building, is the entrance to the reception/cashier's station. Flooring is exposed slab with painted metal interior walls. Through the reception area is the location of a private office. This is situated in the southwest corner of the building. There is exposed concrete slab with painted interior metal walls. There are three perimeter windows. High along the wall is a wall heater.

There are two restrooms located along the west side of the building. Both are accessed off a concrete ramp adjacent to the western wall. The first is used exclusively by employees. There is a step up from the concrete ramp to this three fixture restroom. Flooring is tile with tile interior walls. Adjacent to the door is a urinal. Immediately adjacent is the sink. Along the rear wall is a private stall. There is a floor drain.

C. **Improvements (continued)**

At the top of the concrete ramp is the location of the second restroom. This was updated approximately five± years ago and partially complies with Americans with Disabilities Act. There is tile flooring with tile interior walls and floor drain. There are two toilets, however one is not operational. There are grab bars adjacent to the regular height toilet. According to my calculations, the building is 1,008 square feet in size.

Adjacent to the building is a wood frame cover which includes partial wood walls approximately 4'± in height with corrugated fiberglass panels atop and along the entire roof. Much of this specific area was extensively damaged due to the recent fire. There is a concrete slab and lift. This structure is 333 square feet in size.

Approximately 5' south of the building is the location of the canopy. This steel frame structure has metal clad fascia and ceiling. The clear ceiling height is approximately 13'. The former fuel dispensing bodies, piping, and other equipment have been removed with a new concrete slab. According to my calculations, this canopy is 20' wide and 45' in length for a total of 900 square feet.

There is a circular Courthouse Union identification sign adjacent to the corner of 4th and "I" Streets. There are long angled access driveways off the two sidewalks and alley. There is a combination of asphalt paving and concrete slabs. The current configuration of the building and canopy allows for five regular size stalls adjacent to the southeast portion of the overall site. There is a cyclone fence which is mostly hidden by a mature hedge. There are also three parking spaces between the exterior concrete angled ramp leading to a restroom and the sidewalk adjacent to "I" Street.

C. Improvements (continued)

In addition, there are 12 spaces along the north side of subject site and immediately adjacent to the paved/graveled alley. The alley is lower in elevation, hence there is a "rise" up to these various parking stalls. There is very good ingress and egress to this property from the two roadways and alley.

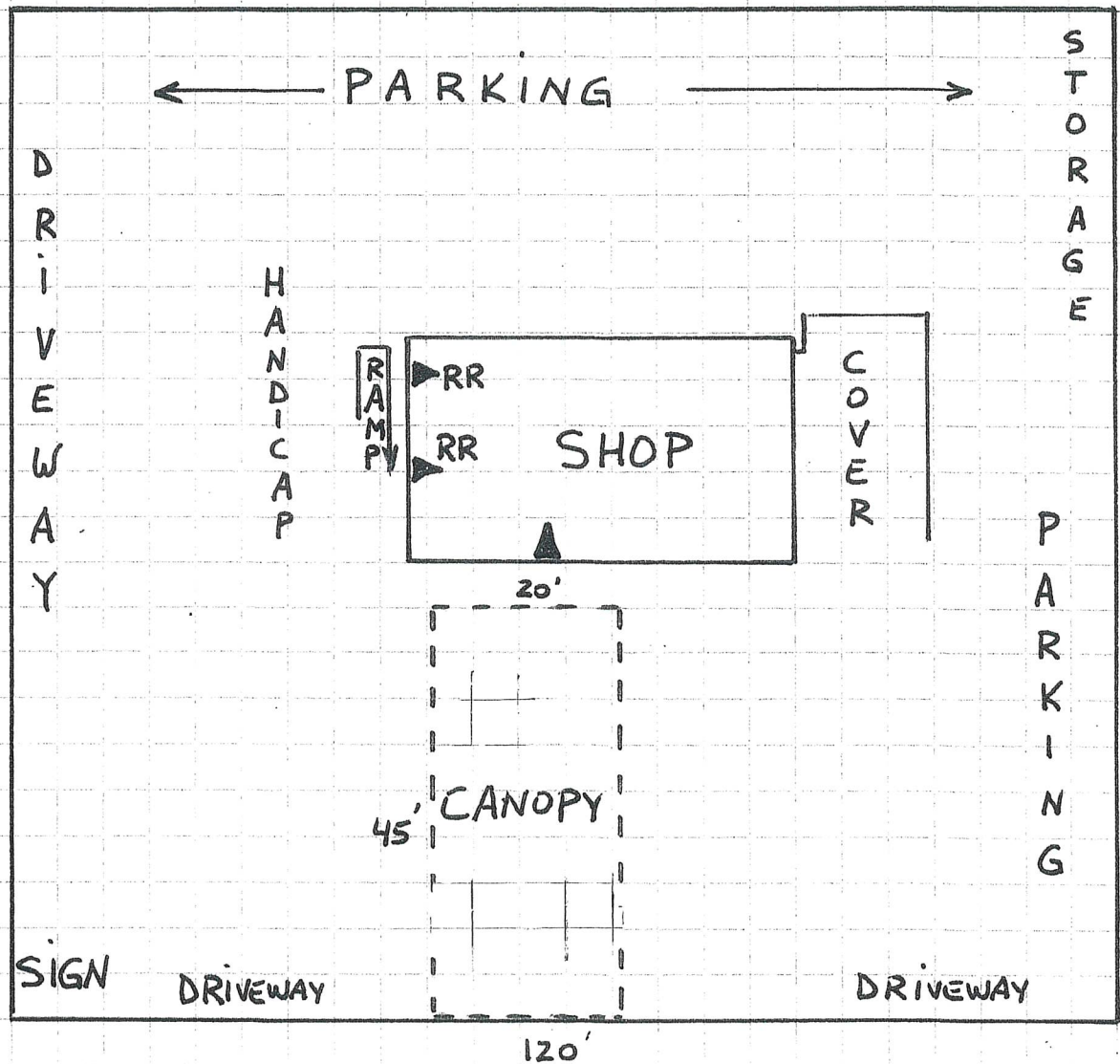
Your attention is directed to the following page which is a site plan showing the location of the existing building, canopy, attached cover, and location of the various off-street parking stalls. Following this is a floor diagram of subject improvements. Following this are nine pages of color photographs of subject property.

803 4TH STREET
EUREKA, CA. 95501

N
1" = 20'

← ALLEY →

↑
" I " STREET

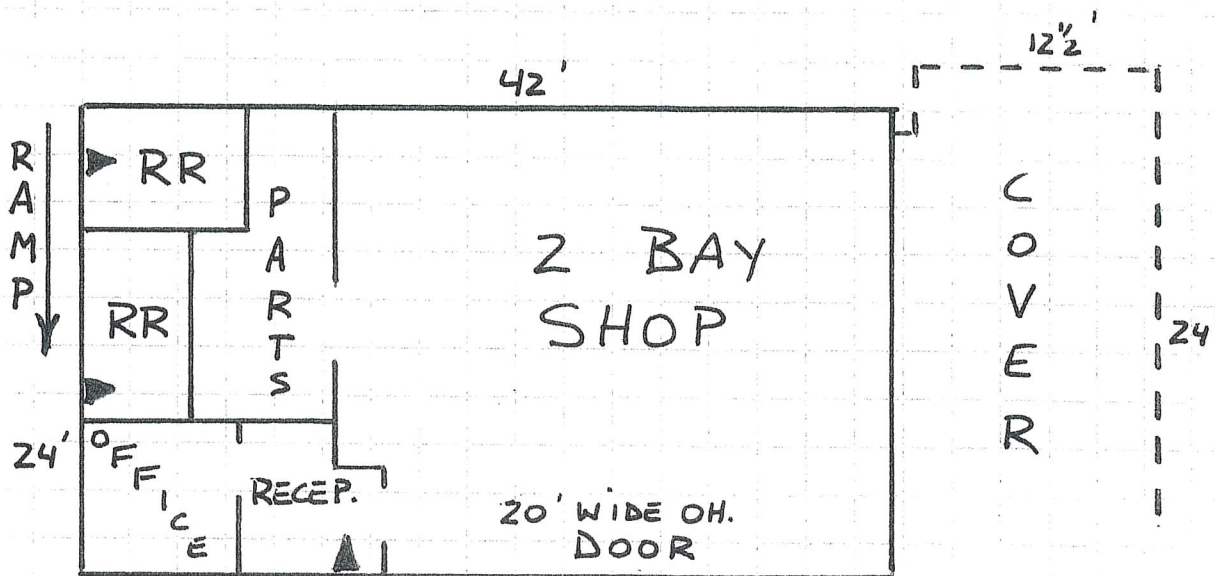


← FOURTH STREET

803 4TH STREET
EUREKA, CA. 95501



1" = 10'



$$24' \times 42' = \underline{\underline{1,008 \text{ SF}}}$$

ATTACHED COVER

$$1\frac{1}{2}' \times 22' = 33$$

$$12\frac{1}{2}' \times 24' = \underline{300}$$

$$\underline{\underline{333 \text{ SF}}}$$

**COURTHOUSE UNION
803 4TH STREET
EUREKA, CA 95501**

Looking north on "I" Street
with subject property straight
ahead and to the right.



PHOTOS TAKEN 9/7/22

Looking northeast along
south and west sides of
property.



Looking easterly from "I"
Street along west side of
subject property. 4th Street,
or U.S. Highway 101
southbound, is immediately
to the right. Notice
identification sign in
corner of two roadways.



Farther to the north from previous picture along western portion of the appraisal property. Notice long angled driveway and sidewalk which allows convenient vehicular ingress and egress.



Looking easterly from "I" Street over 20' wide alley straight ahead. The north boundary line is in front of vehicles slightly to the right.



Looking northerly over former location of underground fuel storage tanks. There is a combination of regular size and handicap parking straight ahead.



Looking north along west side of building. Angled concrete ramp accessing the restroom is straight ahead.



Looking northeast along west and south sides of shop building. Access to front reception area is up one concrete step to door straight ahead.



Looking northwest over steel frame canopy. This extends 45' south of the building.



Looking westerly over location of canopy straight ahead, building to right and 4th Street along left side of photo.



Looking northwest along eastern portion of overall property. Access to shop area is straight ahead.



Looking north with approximate east boundary line extending through hedge straight ahead. Perpendicular off-street parking spaces are straight ahead and to the left.



Looking westerly over 4th Street or U.S. Highway 101 southbound. The appraisal property is farther down and to the right.



Looking northerly over attached shop building. The roof, siding and rear wall were extensively damaged by the fire.



Looking westerly along north side of building. The fire supposedly began within vehicle to right which caused exterior damage to the improvement, including window and fascia straight ahead and to the left.



Looking westerly over 20' wide alley. Notice condition of this thoroughfare. The appraisal property is farther down and to the left.



Looking southerly from alley with east boundary line down cyclone fence and immediately left of the container shed straight ahead.



Looking southwest along north and east sides of building and attached work area. Perpendicular parking is farther to right.



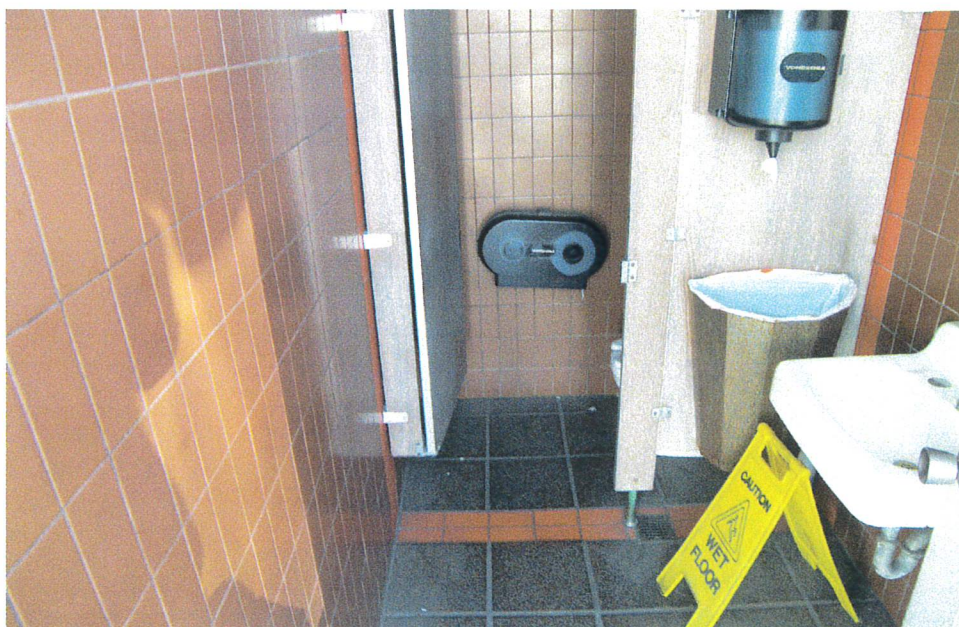
Looking westerly over perpendicular parking spaces along north side of subject site. The 20' wide alley is to the right which allows convenient access to these various spaces.



Looking southerly over concrete access ramp leading to second restroom farther down and to the left.



Northern restroom located in northwest corner of building. This is reportedly used by employee's only. There is a urinal behind door to right.



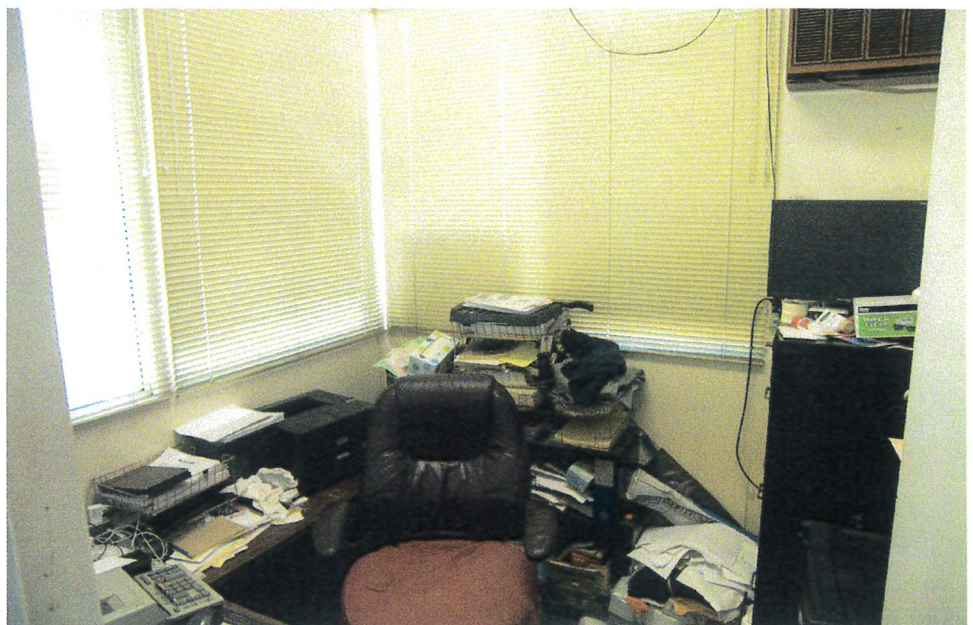
Southern restroom which has been enlarged and updated to partially comply with ADA.



Entrance door to the left with reception/check-in space straight ahead.



Private office located in southwest corner of building. Wall heater is straight ahead and to the right.



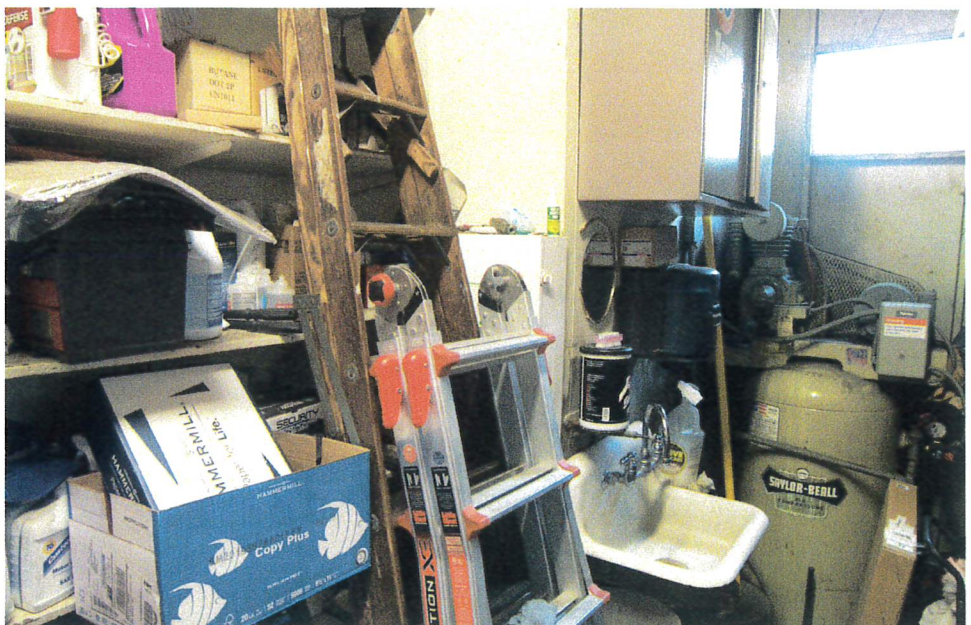
Looking northerly over two bay shop space. Soot and fire damaged ceiling and walls are straight ahead and to the right.



Looking easterly along northern portion of shop space. There is a considerable amount of soot along the ceiling and walls within this specific area.



Adjoining parts room accessed from shop. There is a sink, open shelving, with compressor straight ahead.



D. Property Rating

The appraisal property has frontage along the north side of 4th Street, which is U.S. Highway 101 southbound. Subject property also has frontage along the east side of “I” Street, which is a two lane, one-way roadway traversing in a northerly direction. The appraisal property is adjacent to a lighted intersection. The County Courthouse, Sheriff’s Department, courts, and other administrative offices are across the street and to the south. Overall access and exposure is considered very good. All utilities are extended to the site with adequate capacity for most potential uses. The overall neighborhood would be considered good.

The existing building was constructed over 70± years ago. For most of this time, this was a gasoline service station. The underground fuel storage tanks, dispensing bodies, equipment, and piping were all removed about 1.5± years ago. There is a two bay drive-in shop along the east half of the building. There is a small parts room, office, reception area, and two restrooms. The overall condition is below average±. The entire parcel has concrete or asphalt paving. There is good off-street parking. Given subject’s overall access/exposure, condition of improvements, floor plan/size, quality of construction, and off-street parking, I am of the opinion the overall property rating would be considered above average to good±.

E. Zoning / Highest and Best Use

The current zoning designation according to the City of Eureka is DC, Downtown Commercial. The intent of this designation is to encourage extensive commercial development within the county’s principal district. This is the core downtown business district for Eureka. Some of the permitted uses on the ground floor include art galleries, bakeries, professional and medical offices, motels, financial institutions, restaurants, automobile sales, and a wide variety of retailing. There is an overlay which allows occupants to live or work on upper levels.

E. Zoning / Highest and Best Use (continued)

The long time historical use as a gasoline service station and smog/repair shop is legal and permitted under the current zoning classification.

The highest and best use according to The Real Estate Appraisal Terminology Handbook is defined as “that reasonable and probable use that will support the highest present value, as defined, as of the effective date of the appraisal. Alternatively, that use from among reasonable, probable and legal alternative uses, found to be physically possible, appropriately supported, financially feasible, and which results in the highest land value.”

From the above, there are four criteria which must be investigated and analyzed. They are as follows:

1. Physically Possible
2. Legally Permissible
3. Financially Feasible
4. Maximally Productive

The appraisal property has frontage along the north side of U.S. Highway 101, which is a three lane, one-way roadway traversing in a westerly direction. This extends through the primary financial district of Eureka. The County’s Sheriff’s Department, courthouse and other administrative offices are across the street which fronts along the south side of 4th Street. The overall appeal of the neighborhood would be considered good. There is also an Architectural Review overlay which enforces strict guidelines for maintaining the exterior elevations of existing and proposed improvements now and into the foreseeable future.

E. Zoning / Highest and Best Use (continued)

The existing gasoline station building was constructed over 70± years ago. Portions of the building and attached work area were fire damaged recently. The overall condition of the buildings and canopy is below average±. There is very good access and exposure characteristics. Given subject's overall location, access/exposure, site size/shape, zoning classification, and other site characteristics, I am of the opinion the highest and best use of subject site, as if vacant, would be for a multi-story office/residential housing building.

F. Real Estate Market

There have been very few vacant parcel sales zoned commercial, single family residential, and multi-family residential over the past 24± months. The city limits have not been expanded in a number of years. With this in mind, many parcels being developed upon are "infill" parcels which may consist of one or two lots in a given area. In the past, residential lot sales had been going up. This was due to greater number of potential buyers as compared to number of willing sellers. This correlation has been a factor in residential real estate values in the past. Values for existing homes throughout most parts of Eureka and Humboldt County have been going up for several years.

The sales activity for year 2021 and first half of 2022 is strong. This could be in large part due to very favorable low interest rates and a limited number of homes being offered for sale. The overall future of mortgage interest rates staying low is unknown. There has been a major increase in rates over the past three+ months.

F. Real Estate Market (continued)

An existing Safeway store, situated on the southeast corner of Harris Street and Harrison Avenue, sold in December 2014. This was prompted due to the acquisition of several adjoining properties immediately to the north and extending along the north side of Harris Street. Various demolition of existing residential and commercial buildings were needed. A new "superstore" was completed about six± years ago. This is approximately 47,000+ square feet in size and accessed off a new three-way lighted intersection. The original store, which is slightly in excess of 19,000 square feet in size, is now an Ace Hardware store.

There have been several sales of commercial properties within the Henderson Center area over the recent past. There have also been several new retail tenants occupying buildings which have been vacant for some time. There is good synergy within this close-knit shopping center. A multi-tenant retail/office building sold within this same neighborhood about a year ago. There appears to be interest in buying or relocating to this shopping district at the present time.

There are several proposed projects located on or adjacent to Humboldt Bay. They include one or more motel and restaurant, ground floor retail/offices, and upper level condominiums or apartments. With the number of new projects proposed over the next one to two years, perhaps other existing buildings in the Old Town area will be updated in the near future. Other possible private investors may develop properties adjacent to the waterfront once these initial projects get underway. The economics of constructing any new development along the waterfront is highly dependent upon the number of willing tenants to occupy such spaces.

F. Real Estate Market (continued)

St. Joseph Hospital, or subsidiary, has purchased a few medical businesses over the past four± years. In some instances, they acquire the property while others they enter into a lease with the seller. There have been two medical practices which have closed over the past four± years. The first is Eureka Family Practice with the second Eureka Pediatrics. The “business model” had changed, hence the closure or consolidation with another practice. This trend has been more common recently. There are many unknowns regarding medical office properties at the present time.

The voters in the State of California passed Proposition 64 which allows the legalized use of recreational cannabis. Individual cannabis businesses must receive proper licenses within the city or county, as well as from the State of California. This law went into effect January 1, 2018. Certain cities within Humboldt County have been very proactive, while others being cautious or not allowing business opportunities within their particular community. The City of Eureka and City of Arcata are two which have been proactive in identifying locations within the respective city limits for allowing particular grow operations, as well as volatile or non-volatile extraction businesses, and applicable zoning areas to sell. There has been some commercial/industrial sales activity in the past one± year in anticipation of this new business “opening up” in Humboldt County. The track and trace system employed by our county ensures the cannabis product was purchased from a legitimate source, time of actual acquiring and ultimately selling, as well as appropriate taxes due the city/county and State of California.

F. Real Estate Market (continued)

Other states have passed similar cannabis legalization in the past few years. There are many unknowns at the present time regarding what will occur in the future. Some of the issues include supply vs. demand, competition, pricing, with many other variables. It is unknown how this particular business will affect real estate values.

As stated earlier, the coronavirus (COVID-19) has affected many countries, including America, over the past 29± months. It is too early to determine what impact, if any, this may have on the appraisal property. There is no way to tell the short or long term effect on residential, commercial and other real estate properties. As of the writing of this report, nearly all retail establishments, many which cater to tourists, have reopened. See attached Assumptions and Limiting Conditions stated earlier in this report.

A vacant former truck shop along the west side of Broadway, or U.S. Highway 101, was recently developed into a multi-building and tenant development. There is a drive-thru In & Out Burger on the corner of Broadway and Vigo Street with Chipotle, Mod Pizza, and T-Mobile in-line spaces set back off the roadway. A new three way stoplight was also installed to allow better ingress and egress to this development. About one block to the north is a Kentucky Fried Chicken. This would be along the east side of Broadway which will allow enough room for off-street parking and drive-thru lane. The entire Broadway corridor has strong commercial appeal.

F. Real Estate Market (continued)

There have been several sales of apartment complexes throughout the Eureka area over the past 18± months. These typically range from two to 12± units in size. In addition, there are a couple of current listings of apartment buildings throughout the Eureka community. After taking into consideration the above information, the overall real estate market for most commercial properties would be considered above average to good±.

G. Exposure / Marketing Time

Exposure time is the estimated length of time the property interest being appraised would have been on the market prior to a hypothetical consummation of a sale at market value as of the effective date of appraisal. Exposure time is always presumed to occur prior to the effective date of the appraisal. Some of the possible conditions which could affect the overall time would include quality of construction, condition of improvements, floor plan/size, access/exposure, on-site amenities, and other considerations.

The marketing period is the amount of time necessary to expose a property on the open market in order to achieve a sale. The marketing time of any commercial depends upon location, quality of construction, condition of improvements, size/floor plan, projected income and expense figures, and most importantly the list price. If a property has a fair list price, it should sell within a matter of months. Conversely, if a property is overpriced the marketing time could be in excess of one year. After considering the above information, I am of the opinion the estimated marketing time of subject property, if listed appropriately, would sell between 3 and 8 months. The estimated exposure time for subject property is under 8 months.

III. VALUATION

A. Approaches in Estimating Market Value

There are three approaches used by appraisers in estimating market value. These include cost, sales comparison and income approaches. Each method obtains data from the marketplace. The reliability of each depends upon the degree of comparability.

The cost approach is a method in which the value of a property is derived by estimating the replacement cost new of the improvements and deducting any estimated depreciation to arrive at a depreciated value of the improvements. To this figure is added the estimated land value obtained through the use of market data sales.

The sales comparison approach is an appraisal technique in which the market value estimated is predicated upon prices paid within the actual marketplace. Under this approach units of comparison are used. The reliability of this technique is dependent upon the degree of comparability of these sales as compared to the subject property.

The income approach converts anticipated future benefits of the property ownership into an estimate of present value. To utilize this method, the appraiser must project the net income, select an appropriate capitalization rate, and then capitalize net income into value by applying an appropriate discounting procedure.

B. Cost Approach

This approach to value estimates the replacement cost new of the existing building and covered canopy using today's materials and quality of craftsmanship in accordance with building codes. From this figure is deducted any physical depreciation or functional obsolescence to arrive at the depreciated value of the improvements. To this figure is added the estimated land value, indirect costs, and entrepreneurial profit/holding costs to arrive at a total value using the cost approach.

The existing building and canopy were constructed about 70± years ago. Minor updating and remodeling has occurred on the interior and exterior for many years. The overall condition is below average±. Estimating physical depreciation and any functional obsolescence is subjective. This also takes into consideration the condition of the interior and exterior as a cause by the recent fire. There have also been very few vacant parcel sales similar in location, parcel size, access/exposure, zoning, and other site characteristics to subject over the recent past. For these reasons, this approach to indicated value is not considered applicable for this assignment and will not be shown in this report. The cost approach is considered more applicable for newly constructed improvements with good market data for land values. Such is not the case for the appraisal property. Furthermore, potential investors of this type property give very little weight to the cost approach to indicated market value. The income and sales comparison approaches are considered applicable and will be shown in this report.

C. Sales Comparison Approach

The sales comparison approach compares the appraisal property directly with known sales. A unit of comparison must be selected. The appraisal property is adjacent to U.S. Highway 101 southbound and "I" Street. There is very good access and exposure characteristics. Subject's land area is 13,200 square feet in size. The existing building is 1,008 square feet in size. With this in mind, the land to building ratio is approximately 13.10:1. This is considered very high. The majority of the inherent value of the appraisal property is "in the land". I am of the opinion the price paid per square foot of land to be most applicable. For this assignment, 13,200 square feet will be used for comparison purposes.

A survey was conducted of sales considered somewhat similar to subject. This included vacant parcel sales as well as properties which have smaller size buildings similar to subject. Your attention is directed to the following chart which indicates three sales and one property which has an option to purchase which were considered somewhat similar to subject. Upward adjustments will be made for those sales which are vacant and have no improvements. Comparable data sheets on each property are included in the Addenda section of this report. Following this chart is a brief description of each.

NO.	ADDRESS	SALE DATE	SALES PRICE	LAND AREA	\$/SF	OAR
1	621 "F" Street <i>Eureka</i>	9/21	\$ 300,000	13,200 SF	\$ 22.73	N/A
2	512 1 st Street <i>Eureka</i>	4/22	\$ 400,000	10,410 SF	\$ 38.42	3.75%
3	1930 4 th Street <i>Eureka</i>	7/22	\$ 465,000	10,800 SF	\$ 43.06	3.46%
4	625 5 th Street <i>Eureka</i>	option price	\$ 862,000	13,200 SF	\$ 65.30	4.62%

C. **Sales Comparison Approach (continued)**

Comparable Sale #1 closed escrow in September 2021 for \$300,000. This was a cash transaction. This sale comprises an existing asphalt paved parking lot. The purchase price was an allocation of two adjoining properties acquired at the same time. The adjoining property extending to the east, which fronts along the north side of 7th Street, is a single story office building. The total price paid was \$749,500. As stated earlier, the allocated price for the parking lot was \$300,000. This will be used for comparison purposes. This property is rectangular in shape with 120' of frontage along the north side of 7th Street and 110' of frontage along the east side of "F" Street. The parcel is 13,200 square feet in size. There are no buildings constructed over this land area. The general topography slopes slightly downward in a northerly direction to the alley. There are approximately 38± parking spaces. Overall access and exposure characteristics are considered inferior to subject. Upward adjustments were necessary for time of sale, access/exposure, allocation/never on the market, parking lot improvements/conditions, and lack of building/canopy. The adjusted unit of comparison is \$52 per square foot of land.

Comparable Sale #2 closed escrow in April 2022 for \$400,000. This was a cash transaction. This sale property consists of two adjoining assessor parcel numbers. There is 63.5' of frontage along the east side of "F" Street, 120' of frontage along the south side of 1st Street, and 60' of frontage along the north side of Snug Alley. According to my calculations, the land area of these two parcels is 10,410 square feet in size. For many years, these two parcels have been used as paid parking lots. There are 28 spaces which are rented to individuals on a monthly basis. This allows secure parking then walking to their place of business. In addition, there is a detached two car garage located off the north side of Snug Alley. This has been rented for general storage purposes for many years.

C. Sales Comparison Approach (continued)

The overall location is considered good as The Boardwalk is one-half block to the north and public gazebo one-half block to the south. The overall location is considered slightly inferior as compared to subject. A downward adjustment was necessary for land area. Upward adjustments were needed for access/exposure, condition of parking lot, and inferior building. The adjusted unit of comparison is \$57 per square foot of building.

Comparable Sale #3 closed escrow in July 2022 for \$465,000. Financing on this transaction was conventional. This sale property is rectangular in shape and situated on the southwest corner of 4th and "U" Streets. This is about 12± blocks east of subject. There is a cyclone perimeter fence around the usable land area. A portion of the gross land area includes a strip of land which in effect is used for an alley which traverses westerly to "T" Street. In the corner of the two roadways is a single story, wood frame retail/office building constructed about 60± years ago. This property has been used in the past as a used car lot, retail sales with outdoor display area, and general sales. There is good access along 4th Street with the Red Lion Hotel across the street and to the north. The overall condition and quality of the building is average±. There is one handicap accessible restroom. The building is 994 square feet in size. Downward adjustments were necessary for land area and quality of construction. Upward adjustments were needed for access/exposure, condition of parking lot, and lack of canopy. The adjusted unit of comparison is \$54 per square foot of building.

C. **Sales Comparison Approach (continued)**

Comparable #4 is an existing parking lot located on the northwest corner of 5th and "H" Streets. This would be one+ block west of the appraisal property. There was an exchange between the City of Eureka and Mr. Greg Pierson comprising three city lots within the downtown business district. Mr. Pierson acquired these parcels in exchange for an approved multi-family residential housing development along the western part of Eureka. This development was fully approved by the city for approximately 50± dwelling units of various size. Most were townhouse style with at least two+ bedrooms. As soon as this transfer was consummated, a lease with an option to purchase was negotiated with Redwood Capital Bank. The bank has an option period to acquire any or all of these three parcels over the next two years at a predetermined price. This specific parcel has 32 paved off-street parking spaces. Two of these are handicap stalls. Vehicular access is off the 20' wide alley. This allows a maximum number of parking stalls over this property. The land area is 13,200 square feet in size. There is perimeter landscaping adjacent to the two sidewalks and roadways. There is very good access and exposure characteristics. The general topography slopes gradually downward in a westerly direction. Upward adjustments were necessary for topography and lack of building/canopy. Downward adjustments were needed for option price being fixed for two years, overall parking lot condition/landscaping, and premium paid due to a business decision to have off-street parking for employees or customers for the bank. The adjusted unit of comparison is \$57 per square foot of building.

The adjusted range of the three comparable property sales and option price is from \$52 to \$57 per square foot of land. When these figures are multiplied by 13,200 square feet, the indicated value range is from \$686,000 to \$752,000. I tend to reconcile to the upper end of the indicated value range. I am of the opinion the estimated market value of subject property, using the sales comparison approach, is the sum of \$750,000.

D. Income Approach

The income approach converts anticipated future benefits of the property into an estimate of present value. Income producing properties are typically acquired for investment purposes. The earning potential of a given property is the basis for its value. I must project the net income, select an appropriate capitalization rate, and then capitalize this net operating income into present value. This direct capitalization method analyzes net income for a specific period which is then converted into market value by applying an appropriate capitalization rate.

As stated throughout, the appraisal property has very good access and exposure characteristics within the prime downtown business district of Eureka. The former gasoline station is currently used as a smog/repair shop and is 1,008 square feet in size. In addition, there is a 900 square foot covered canopy which extends to the south toward 4th Street. The parcel is 13,200 square feet in size. A rental survey was conducted of small retail, automotive repair, and car lots throughout the Eureka area. Those properties adjacent to heavily traveled roadways were considered for this analysis. Your attention is directed to the following chart which are considered somewhat similar to subject. Following this chart is a brief description of each.

NO.	ADDRESS	SIZE	RENT	\$/SF
1	321 "X" Street <i>Eureka</i>	1,060 SF	\$ 1,450	\$ 1.37 G
2	1411 4 th Street <i>Eureka</i>	1,062 SF	\$ 1,475	\$ 1.39 G
3	110 5 th Street <i>Eureka</i>	1,400 SF	\$ 2,988	\$ 2.13 G

G (Gross Lease) = Landlord is responsible for real estate taxes, insurance, and all exterior maintenance of the property. The landlord is also responsible for landscaping and parking lot upkeep. The tenant is responsible for their own P.G. & E., water/sewer, garbage removal, and interior upkeep.

D. Income Approach (continued)

Comparable Rent #1 is located toward the eastern part of the city limits of Eureka. This property has frontage along the north side of 4th Street and east side of "X" Street. This is the second property motorists see along the right side on U.S. Highway 101 when entering Eureka from the north. The parcel is rectangular in shape and totals 6,600 square feet in size. The long time occupant is a used automobile sales lot. This single story, wood frame sales office consists of a workspace, repair shop, break room, and restroom. The entire parcel is asphalt paved. The condition of improvements is average to below average±. Overall access to this location is somewhat of a circuitous route due to the one way frontage along U.S. Highway 101. In addition, most vehicles are traveling at 40 mph or greater. Upward adjustments were necessary for access/exposure, land/parcel size, lack of canopy, and inferior condition of the parking lot. The adjusted unit of comparison is \$2.67 per square foot of building.

Comparable Rent #2 is situated along the north side of 4th Street, east side of "O" Street, and south side of Myrtle Avenue. This small triangular shape parcel was a former gasoline station. The current tenant is The Donut Mill. The improvement was constructed about 65± years ago and is in average± condition. There is a covered canopy along the south side of improvement and drive-thru lane for ordering/pick-up. There is a small open seating area, in addition to the kitchen and two fixture restroom. There is minimal off-street parking. The tenant has been leasing this space for many years. Upward adjustments were necessary for access/exposure and inferior parcel size. Downward adjustments were needed for condition and drive-thru lane. The adjusted unit of comparison is \$2.85 per square foot of building.

COMPARABLE RENT #1

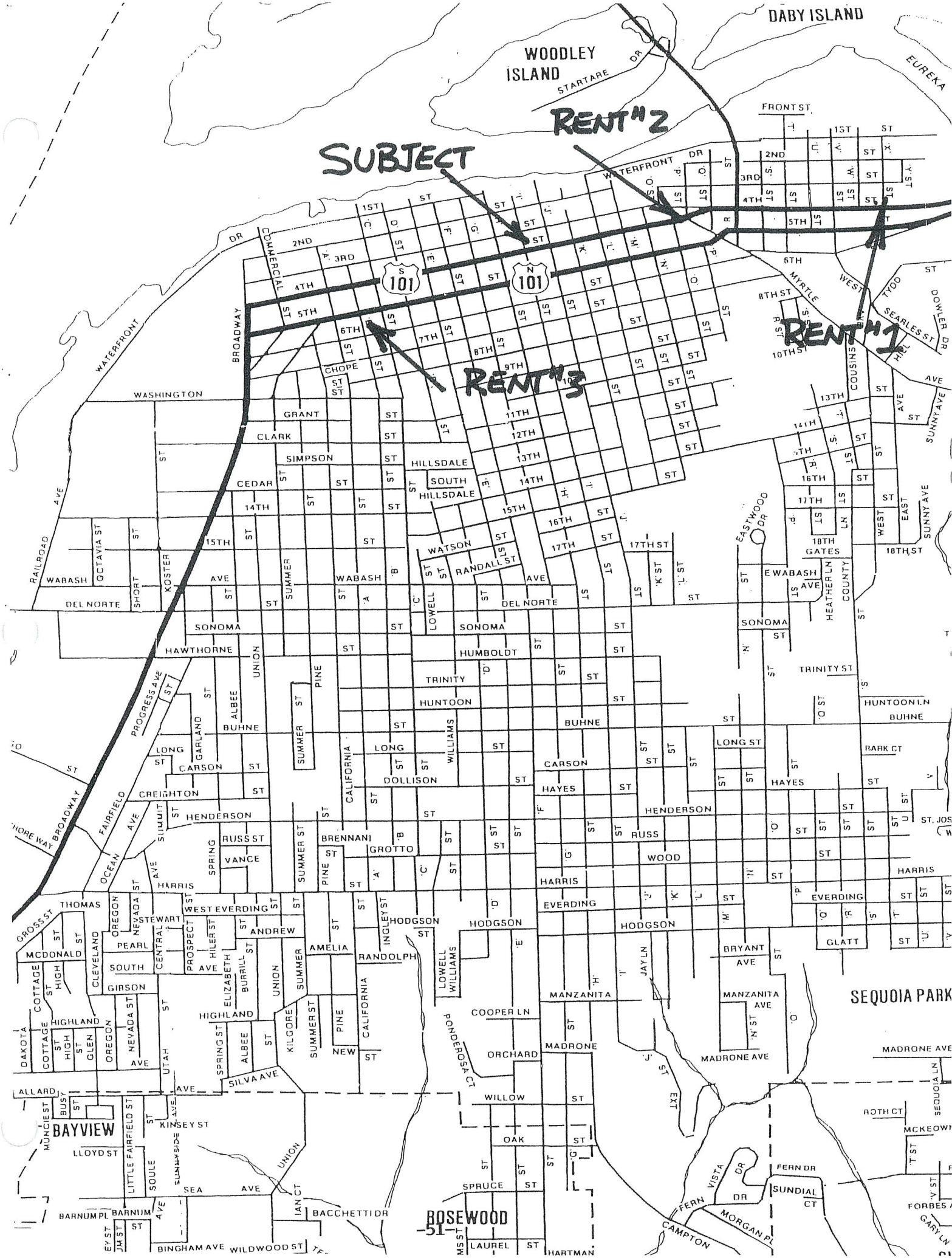


COMPARABLE RENT #2



COMPARABLE RENT #3





SUBJECT

RENT#2

RENT#3

RENT#1

DABY ISLAND

WOODLEY ISLAND

SEQUOIA PARK

ROSEWOOD

BAYVIEW

D. Income Approach (continued)

Comparable Rent #3 is situated on the southeast corner of 5th and "B" Streets. The parcel is square in shape and totals 14,400 square feet in size. This was a former gasoline service station which may have been constructed 55± years ago. The current tenant is Enterprise Rent-A-Car. The interior consists of a private office, open work areas, reception area, break room, and handicap accessible restroom. There is good paved off-street parking around the perimeter. In addition, there is a relatively large covered canopy extending to the north toward 5th Street. Upward adjustments were necessary for access/exposure and building size. Downward adjustments were needed for condition of improvements and quality/floor plan. The adjusted unit of comparison is \$2.45 per square foot of building.

The adjusted range of the three comparable rental properties is from \$2.45 to \$2.85 per square foot of building. Due to subject's overall condition of improvements and quality of construction, I tend to reconcile toward the middle of this range. I am of the opinion \$2.65 per square foot of building to be most applicable for this property. With this in mind, the estimated market rent is \$2,671 per month. The scheduled gross annual income is \$32,052. Your attention is directed to the chart on the following page which shows the projected income and expense figures for subject property.

D. Income Approach (continued)

Gross Income	\$ 32,052
Vacancy/Credit Loss (2.5%)	- \$ 801
Effective Gross Income	\$ 31,251
Expenses:	
Real Estate Taxes	\$ 6,500
Insurance	\$ 750
Management (3%)	\$ 938
Maintenance / Reserves	\$ 500
Total Expenses	- \$ 8,688
Net Income	\$ 22,563

The appraisal property is situated near the primary downtown business district of Eureka. There is convenient access adjacent to a two-way lighted intersection. Many potential tenants would appear to desire this location for a particular business. Even though the overall quality of construction and condition of improvements are below average±, a downward adjustment is necessary for vacancy/credit loss. I am of the opinion a factor of 2.5% to be applicable for this analysis. This estimate is subjective, however appears reasonable given the above information.

A downward adjustment is necessary for real estate taxes. This is predicated upon the market value and not current assessments. A downward adjustment is necessary for annual insurance premium. This is based on a new policy to a prospective buyer and not existing amount.

D. Income Approach (continued)

A downward adjustment is necessary for management. Managerial fees can vary considerably depending on the responsibilities of a given firm. It is assumed herein that once a tenant is found for a 2 to 4 year term, minimal requirements would be placed upon a management company. A downward adjustment is necessary for annual maintenance/repairs and replacement for reserves. Continued upkeep and maintenance is necessary now and into the foreseeable future. The total expenses of ownership, which does include a factor for vacancy/credit loss, is \$9,489. This is approximately 30% of the scheduled gross annual income. This overall expense ratio appears reasonable as compared to other small, single tenant commercial buildings similar in age, condition, and lease structure.

The most critical factor of the income approach would be selecting an appropriate overall capitalization rate. Such a factor is derived from the marketplace. In each instance, an estimated cash flow is derived from information available. This annual cash flow is divided by the selling price. Earlier in the sales comparison approach, various sales and option to acquire a property were analyzed for comparison purposes. The indicated range of rates was from a low of 3.46% to a high of 4.62%. I am of the opinion a range of rates from 3.50% to 4.00% to be most applicable for subject property. Your attention is directed to the chart on the following page which shows the indicated value using the appropriate rate.

D. Income Approach (continued)

RATE	VALUE
3.50%	\$ 644,657
3.60%	\$ 626,750
3.70%	\$ 609,811
3.80%	\$ 571,215
3.90%	\$ 578,538
4.00%	\$ 564,075

There have been very few commercial property sales over the recent past whereby the building on those sales parcels is very small with the majority of the value “in the land”. Given subject's superior overall location, I tend to reconcile toward the upper end of the indicated value range. I am of the opinion the estimated market value of subject property, using the income approach, is the sum of \$625,000.

E. Correlation and Final Estimate of Value

The two methods indicate the following values for the appraisal property:

APPROACH	VALUE
Sales Comparison Approach	\$ 750,000
Income Approach	\$ 625,000

E. Correlation and Final Estimate of Value (continued)

The sales comparison approach compares known sales with the appraisal property. The degree of comparability is determined by similar property sales. Various sales of vacant parcels and improved properties throughout Eureka were analyzed for comparison purposes. Any pending transactions, current listings, or options to acquire were considered for this assignment. Many of these transactions were on corner locations adjacent to heavily traveled roadways. The unit of comparison chosen for this assignment was price paid per square foot of land. I am of the opinion the most likely scenario for the appraisal property would be for an owner/user rather than from an investment standpoint. With this in mind, the sales comparison approach was given the greatest consideration within the final value estimate.

The income approach reflects the actions of buyers and sellers within the marketplace. A potential investor is primarily interested in the estimated net annual income stream now and into the foreseeable future. This is the expected return on their total investment. A rental survey was conducted of small retail, shop, or automotive repair buildings similar to subject on parcels adjacent to heavily traveled roadways. The income approach shows some support to the sales comparison approach, yet given lesser overall weight.

After considering all factors which influence value and weighing the reliability of each, I am of the opinion the estimated market value of the appraisal property, with the assumptions made herein, is the sum of

SEVEN HUNDRED FIFTY THOUSAND DOLLARS

(\$ 750,000)

ADDENDA

COMPARABLE SALES

Comparable Data No. 1

Nilsen Real Estate Appraisals
Eureka, CA 95503

ADDRESS:	621 "F" STREET; 527 7TH STREET EUREKA, CA 95501	
ASSESSOR'S PARCEL NUMBER:	1-153-005	
SELLER:	FRAZIER, ROBERT & DEBRA	
BUYER:	UNITED INDIAN HEALTH SERVICES, INC.	
INTERVIEWED/DATES:	JB MATHERS, REAL ESTATE BROKER 10/21	
DATE OF SALE:	8/31/21	
RECORDED ON:	9/23/21	
VOLUME/PAGE:	2021 / 21285	
SALES PRICE:	\$ 749,500	
DOCUMENTARY TRANSFER TAX:	\$ 824.45	FULL VALUE
TERMS OF TRANSACTION:	\$ 749,500	CASH DOWN

ZONE:	DT, DOWNTOWN COMMERCIAL
PRESENT USE:	PARKING LOT AND OFFICE
BEST USE:	CURRENT USE
LAND AREA:	RECTANGULAR—13,200 SF
TERRAIN:	LEVEL TO DOWNSLOPE
FRONTAGE ON PUBLIC ROAD:	YES
UTILITIES:	ALL
NEIGHBORHOOD:	DOWNTOWN COMMERCIAL
LOCATION/OTHER:	GOOD

SALES PRICE (Unadjusted):	\$ 749,500
ADJUSTED FOR: OFFICE BUILDING	- 449,500
ADJUSTED SALES PRICE:	\$ 300,000
NO. OF UNITS IN SALE PARCEL:	13,200 SF PARCEL
ADJUSTED UNIT PRICE IS:	\$ 22.73 PER SF
OADR (ESTIMATE):	

IMPROVEMENTS:

THERE ARE ABOUT 38±
ASPHALT PAVED PARKING
SPACES. THE CONDITION
OF THIS LOT IS BELOW
AVERAGE±.



Comparable Data No. 2

Nilsen Real Estate Appraisals
Eureka, CA 95503

ADDRESS:

512 1ST STREET
EUREKA, CA 95501
1-123-007, 008

ASSESSOR'S PARCEL NUMBER:**SELLER:**

CARL D. JOHNSON TRUST

BUYER:

FAIRHAVEN COTTAGES LLC

INTERVIEWED/DATES:

JOE MATTEOLI, REAL ESTATE BROKER 4/22

DATE OF SALE:

4/7/22

RECORDED ON:

4/20/22

VOLUME / PAGE:

2022 / 7634

SALES PRICE:

\$ 400,000

DOCUMENTARY TRANSFER TAX:

\$ 440.00

FULL VALUE

TERMS OF TRANSACTION:

\$ 400,000

CASH DOWN

ZONE:

CW, WATERFRONT COMMERCIAL

PRESENT USE:

PARKING LOT / GARAGE

BEST USE:

RETAIL AND APARTMENTS

LAND AREA:

IRREGULAR—10,410 SF

TERRAIN:

LEVEL TO SLIGHT UPSLOPE

FRONTAGE ON PUBLIC ROAD:

YES

UTILITIES:

ALL

NEIGHBORHOOD:

OLD TOWN

LOCATION/OTHER:

GOOD

SALES PRICE (Unadjusted):

\$ 400,000

ADJUSTED SALES PRICE:

\$ 400,000

NO. OF UNITS IN SALE PARCEL:

10,410 SF PARCEL

ADJUSTED UNIT PRICE IS:

\$ 38.42 PER SF

OAR (ESTIMATE):

3.75%

IMPROVEMENTS:

THESE TWO ADJOINING
PARCELS ARE USED FOR
28 PAID PARKING SPACES.
IN ADDITION, THERE IS A
TWO CAR GARAGE FOR
GENERAL STORAGE.



Comparable Data No. 3

Nilsen Real Estate Appraisals
Eureka, CA 95503

ADDRESS:	1930 4TH STREET
ASSESSOR'S PARCEL NUMBER:	EUREKA, CA 95501
SELLER:	2-105-014
BUYER:	YVONNE J. HOLMES REVOCABLE TRUST
INTERVIEWED/DATES:	MILDBRANDT, MATTHEW
DATE OF SALE:	BROKER JOE MATTEOLI, APPRAISAL
RECORDED ON:	7/5/22
VOLUME / PAGE:	7/19/22
SALES PRICE:	2022 / 13554
DOCUMENTARY TRANSFER TAX:	\$ 465,000
TERMS OF TRANSACTION:	\$ 511.50 FULL VALUE
	\$ 46,500 CASH DOWN
	\$ 232,500 REDWOOD CAPITAL BANK
	\$ 186,000 REDWOOD CAPITAL BANK

ZONE:	CS, SERVICE COMMERCIAL
PRESENT USE:	RETAIL SALES
BEST USE:	RETAIL & OUTSIDE SALES
LAND AREA:	IRREGULAR—10,800 SF
TERRAIN:	LEVEL TO SLIGHT UPSLOPE
FRONTAGE ON PUBLIC ROAD:	YES
UTILITIES:	ALL
NEIGHBORHOOD:	HIGHWAY COMMERCIAL
LOCATION/OTHER:	GOOD

SALES PRICE (Unadjusted):	\$ 465,000
ADJUSTED SALES PRICE:	\$ 465,000
NO. OF UNITS IN SALE PARCEL:	10,800 SF PARCEL
ADJUSTED UNIT PRICE IS:	\$ 43.06 PER SF
OAR (ESTIMATE):	3.46%

IMPROVEMENTS:

THIS SINGLE STORY, WOOD FRAME RETAIL/OFFICE BUILDING WAS CONSTRUCTED ABOUT 60±YEARS AGO. THE OVERALL CONDITION AND QUALITY ARE AVERAGE±. THE MAJORITY CONSISTS OF PAVED OFF-STREET PARKING OR DISPLAY AREAS. THERE IS GOOD ACCESS AND EXPOSURE.



Comparable Data No. 4

Nilsen Real Estate Appraisals
Eureka, CA 95503

ADDRESS:

625 5TH STREET
EUREKA, CA 95501

ASSESSOR'S PARCEL NUMBER:

1-142-005

SELLER:

PIERSON PROPERTIES AND DEVELOPMENT LLC

BUYER (OPTIONEE):

REDWOOD CAPITAL BANK

INTERVIEWED/DATES:

JOHN DALBY, PRESIDENT 9/22

OPTION PRICE:

\$ 862,000

ZONE:

DC, DOWNTOWN COMMERCIAL

PRESENT USE:

PARKING LOT

BEST USE:

OFFICES AND PARKING

LAND AREA:

110'x 120'= 13,200 SF

TERRAIN:

LEVEL TO DOWNSLOPE

FRONTAGE ON PUBLIC ROAD:

YES

UTILITIES:

ALL

NEIGHBORHOOD:

DOWNTOWN COMMERCIAL

LOCATION/OTHER:

GOOD

OPTION PRICE (Unadjusted):

\$ 862,000

ADJUSTED OPTION PRICE:

\$ 862,000

NO. OF UNITS IN OPTION PARCEL:

13,200 SF PARCEL

ADJUSTED UNIT PRICE IS:

\$ 65.30 PER SF

OAR (ESTIMATE):

4.62%

IMPROVEMENTS:

THIS PROPERTY HAS BEEN USED AS A PARKING LOT FOR MANY YEARS. CUSTOMERS PAY FOR THE USE OF A SPACE FOR SO MANY MINUTES. THERE ARE (30) DIAGONAL SPACES AND (2) SPECIFIC FOR HANDICAP USE. THERE IS PERIMETER LANDSCAPING WITH VEHICULAR ACCESS AND EXITING OFF THE ALLEY.



SALE #2

SALE #3

SALE 1

OPTION PRICE

ENGAGEMENT LETTER



County of Humboldt
Purchasing Division
Courthouse, 825 5th St.
Eureka, CA 95501
purchasing@co.humboldt.ca.us
P: 707-268-2544 F: 707-445-7299

PURCHASE ORDER

PURCHASE ORDER NO.

BB3247

REQUISITION NO R17484

DATE OF ORDER	REQUIRED DATE	BUYER	VENDOR ID	CONTRACT #
08/11/2022		JGLAVICH	VNN00421	
REVISION DATE	ORDER TYPE	PAYMENT TERMS	VENDOR ACCOUNT #	SECURITY CODE
	PER QUOTE EMAILED ORDER	NET30		CAO - County Administrative Of

Direct all inquiries regarding this order to County Purchasing

VENDOR	ADDR CD P1	SHIP TO	ADDR CD P1	BILL TO	ADDR CD R1
NILSEN, MATTHEW E 3988 WALNUT DR EUREKA, CA 95503 nilsenappraisals@aol.com 7074418560		County Administrative Office 825 5th Street RM 112 EUREKA, CA 95501 cao@co.humboldt.ca.us		Purchasing Division 825 5th Street RM 112 EUREKA, CA 95501 purchasing-invoicing@co.humboldt.ca.us	

LINE	QTY	UNIT	CATALOG #	DESCRIPTION	BUDGET LINE	UNIT PRICE	EXTENDED PRICE
0001 0001 0001	1.00	EA		22/23 83 4th St Commercial Property Appraisal/ Current Market Value Appraisal Report	1100103-2118	2,750.00	2,750.00
				Please include this PO # on related invoices Humboldt County Contact Karen Clower @ 476-2383 kclower@co.humboldt.ca.us Reference quote dated 8-4-22			

Item Total:	2,750.00
Freight:	0.00
0.00 % Tax:	0.00
PURCHASE TOTAL	2,750.00

County's terms and conditions are incorporated herein by reference.

They may be reviewed at www.humboldt.gov.org/2163/POTC.

If applicable, FEMA terms and conditions are incorporated herein by reference.

They may be reviewed at Appendix II of 2 C.F.R. Part 200.

<https://tinyurl.com/y76j7knu>

I HEREBY CERTIFY THAT THIS PURCHASE ORDER
HAS BEEN PROPERLY AUTHORIZED BY
PURCHASING AGENT: